BI-METALLISM AT 15½

A NECESSITY

FOR THE CONTINENT,

FOR THE UNITED STATES,

FOR ENGLAND.

BY

HENRI CERNUSCHI.

LONDON:
P. S. KING, PARLIAMENTARY BOOKSELLER,
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1881.

THE MONETARY CONFERENCE.

THE FOLLOWING IS THE OFFICIAL ENGLISH TEXT OF THE DRAFT RESOLUTION EXPRESSING THE LEADING IDEAS WHICH FRANCE AND THE UNITED STATES PROPOSE TO ADVOCATE AT THE PARIS MONETARY CONFERENCE, WHICH IS TO OPEN ON THE 19TH OF APRIL.

1. Whereas, bimetallism, or the monetary system which consists in simultaneously coining any quantity of gold and silver on the footing of a legal ratio between the weight of the monetary unit in gold and the weight of the same unit in silver, had always been practised, and that only since a few years has it ceased to operate in any part of the world.

2. Whereas, during nearly a century, the principal Continental mints had coined at the legal ratio of 15½ all the quantities of gold and silver presented for coinage, whereby alone, whatever the vicissitudes in the production of gold and the production of silver, the relative value of the two metals was necessarily fixed in the entire world at the par of 15½; nobody in any country agreeing to part with either gold or silver at a less advantageous ratio than that which it was known could be realized in Europe at the mints which were bound at the rate of 15½ to convert into coin, having legal currency without limit of amount, all the metal they were asked to coin.

3. Whereas, by this universal par of value between gold and silver the monetary material of the entire world formed a single mass as homogeneous as if it had been composed of a single metal, but with this evident and very important superiority, that its paying power was much more stable than would have been the paying power of gold disjoined from silver, or of silver disjoined from gold;

and this because the greater or less stability of that paying power depends on the greater or less regularity of monetary production, because the production of gold is very irregular, also that of silver, while the joint production of the two metals valued at the legal ratio is quite sufficiently regular.

4. Whereas, the above-mentioned universal par between the value of the two metals was of the greatest service to countries subject to monometallism, such as gold monometallic England and silver monometallic India, which countries, owing to that par, could mutually settle their pecuniary dealings with almost as much facility and certainty as if they had one and the same metal as common money.

5. Whereas, as soon as silver was no longer freely admitted to coinage by the States which had previously been bimetallic, the universal par of value between the two metals necessarily disappeared; and inasmuch as, through that disappearance, the bimetallic and homogeneous material possessed by the world was decomposed into two monometallic materials heterogeneous to each other—the material gold, the sole metal admitted to free coinage in Europe and America, and the material silver, the sole monetary metal in Asia—a twofold monometallism, which has rendered the commercial and financial relations between the two halves of the world almost as complicated and hazardous as if the exchanges between them were made by barter.

6. Whereas, moreover, the States of the Continent of Europe and the United States of America, while admitting gold alone to free coinage, are encumbered with coined silver, and the silver coins of one country cannot be converted into money in other countries, unless in Asia, but then undergoing all the loss resulting from the difference between the ratio at which such silver has been coined with regard to gold, and the much smaller ratio of gold realised on disposing of silver for an Asiatic destination now that the universal par no longer exists, a ratio which would become smaller and smaller if the offers for sale of silver happened to be resumed and continued.

7. Whereas, it is, in fact, impossible to withdraw from circulation and get rid of the coined silver, not only because of the terrible fall which the Asiatic exchange would experience, and of the enormous losses which would have to be borne, but also because

of the immense void such withdrawal would leave behind it—a monetary void which could not be filled either with the present gold, which has already its use, or with the future gold, which has not yet issued from the mines in general, and that chaos extremely prejudicial to the interests of all nations, without a single exception, is solely attributable to monetary laws now in force in Europe and the United States, and cannot be put an end to except by reverting to bimetallism.

8. And, whereas, such reversion to bimetallism and the adoption of the ratio 15½ by a preponderating group of nations would have the immediate effect of re-establishing on a very solid basis the old universal par of value between the two metals, of enabling Europe without any loss to employ its old silver crowns in paying America, and reciprocally of enabling the United States, when their balance of trade allows it, to pay Europe with silver from their mines; and, lastly, of making silver a universal money, while retaining gold on the footing of 15½ as European and American money.

Now, therefore, actuated by all these considerations, the American, French, &c., delegates have resolved by common accord to submit to the ratification of their respective Governments the following Convention:—

Article 1. The United States of America, the French Republic, &c., form themselves into a Bimetallic Union on the terms and conditions hereinafter stipulated.

Article 2. The members of the Union shall admit gold and silver to mintage without any limitation of quantity, and shall adopt the ratio of 1 to 15½ between the weight of pure metal contained in the monetary unit in gold and the weight of pure metal contained in the same unit in silver.

Article 3. On condition of this ratio of 1 to 15½ being always observed, each State shall remain free to preserve its monetary types—dollar, franc, pound sterling, mark, or to change them.

Article 4. Any person shall be entitled to take any quantity of gold or silver, either in ingots or in foreign coins, to the mints of any member of the Union for the purpose of getting it back in the shape of coin bearing the State mark; the mintage shall be gratuitous to the public; each member of the Union shall bear the expense of its mintage.

Article 5. The mints of each State shall be bound to coin the metal brought by the public as speedily as possible and at the aforesaid ratio of 1 to 15½ between gold specie and silver specie; the coin thus manufactured shall be delivered to the person who shall have brought the metal or to his assigns; if the person bringing gold or silver requests immediate payment of the sum which would accrue to him after the interval of mintage, that payment shall be made to him subject to a deduction which shall not exceed two per thousand; the sum shall be handed over at the will of the paying party in gold or silver coin, or in notes being legal tender and convertible at sight into metallic money.

Article 6. The gold and silver money shall alike be legal tender to any amount in the State which shall have manufactured them.

Article 7. In each State the Government shall continue to issue as a monoply its small change or tokens; it shall determine their quantity and quality, and shall fix the amount above which no person shall be bound to receive them in payment.

Article 8. The fact of issuing, or allowing to be-issued, paper money, convertible or otherwise, shall not relieve the State issuing it, or allowing it to be issued, from the above stipulated obligation of keeping its mints always open for the free mintage of the two metals at the ratio of 1 to 15½.

Article 9. Gold and silver, whether in ingots or in coin, shall be subject to no Customs duty either on importation or exportation.

Article 10. The reception of silver shall commence at the same date in all the mints of the Union.

Article 11. The present Convention shall remain in force till the 1st of January, 1900. If a year before that date notice of its abrogation has not been given, it shall of full right be prolonged by tacit renewal till the 1st of January, 1910, and so on by periods of ten years until such notice of abrogation shall have been given a year prior to the expiration of the current decennial period, it being, however, understood that notice of abrogation given by States having in Europe less than twenty millions of inhabitants, or subject to the inconvertible paper money system, while releasing those States shall not prevent or interfere with the decennial tacit renewal of the present Convention between the other members of the Union.

AT A MEETING OF THE COUNCIL

OF THE

Incorporated Chamber of Commerce

OF LIVERPOOL,

HELD ON THE 21ST FEBRUARY, 1881,

IT WAS RESOLVED :—

"That the French Government having summoned another Monetary Conference, to meet in Paris, to consider the possibility of adopting a Bi-Metallic System on an international basis, at which the United States and Germany are to be represented, this Council are of opinion that the commercial and general interests of England and of India require that Her Majesty's Government and the Government of India should send delegates to the Paris Conference; the delegates being, as far as possible, unfettered by instructions, and that a Memorial to this effect, embodying the Memorial from this Chamber to the Head of the Government of the 2nd of August, 1876, be transmitted to the First Lord of the Treasury, and to the Secretary of Sate for India."

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BI-METALLISM AT $15\frac{1}{2}$.

I.

POSITION TO WHICH SILVER IS NOW REDUCED.

THE mono-metallists were bound to fail; they *have* failed. They succeeded, indeed, in getting all the gold-coining States to cease coining silver, but they struck against an impossibility when, persisting in their enterprise, they wanted Europe to call-in and demonetise its old silver coin. That coin still circulates, and by milliards. How could it have been called-in and repaid with gold? Who would have bought all those crowns melted down into ingots? Who could have supplied the gold to pay for those ingots? What could have been done with those ingots?

Germany, who had embraced with ardour the gold mono-metallist doctrines; Germany, who had set herself to calling-in the florins and thalers, and selling them at any price in ingots beyond the frontier; Germany herself, reflecting on the colossal losses she was about to incur by continuing the ingenuous operation (she had already lost a hundred million marks) adopted in June, 1879, a manly resolution. She proclaimed that she renounced carrying further the work of de-monetisation. No more callings-in, no more sales of silver. The old thaler, therefore, still circulates ; it circnlates as a forced currency, and every German is bound to receive it for three gold marks. Thus the position of France and the position of Germany, though brought about by unlike causes, are now identical. Both here and there gold alone is coined ; but both here and there is a glut of old silver crowns. At the Imperial Bank of Germany, as at the Bank of France, the stock of metal is composed of one-third gold and two-thirds silver.

But there is metal and metal, according as the law admits gold alone, or silver alone, or both together, to free and unlimited mintage. When once a metal is not coinable at pleasure, all of it that exists as coin becomes debased. It circulates within the State which coined it, because it is there forced currency, but it can be melted down only at a great loss, and it cannot be exported for the purpose of being transformed into money in neighbouring States. The eight hundred millions of 5-franc pieces which, within the Latin Union, are legal tender to any amount, for the nominal value of four milliards of francs, have no real value. It is just as if they were nickel.

All the coined silver of Germany, of Holland, of all Europe, and of the United States, is in the same position. Round each State has risen up, during the last few years, thanks to the mono-metallists, a wall of China, as it were, which imprisons the national silver coinage. Half the European cash is thus shut up in compartments not communicating with each other. Let it once become necessary to export gold in payment for wheat from beyond the seas, and the gold francs, the gold marks, the gold florins will be at a premium as compared with the silver francs, marks, and florins. The monetary chaos would be complete.

Let the Governments now coining gold, or only a fair number of those Governments, begin simultaneously coining both metals, and at once, as by a stroke of the wand, the situation will become excellent. The four milliards in 5-franc pieces, at present reduced to the condition of paper roubles, will again become four genuine and veritable milliards, just as if they were gold. Silver and gold indifferently will be sent across the seas to pay for the provisions sold to us by America. Germany may be paid in silver 5-franc pieces, France may also be paid in thalers ; for German money may be made out of silver 5-franc pieces and French money out of thalers. The stock of international money will be doubled. To a dearth of good money will succeed abundance, a certain abundance and certain for ever.

These ideas have gained ground, and in several quarters there is an idea of a fresh international conference, for at length signing a grand bi-metallic compact between Europe and the United States.

The bi-metallic compact will declare that the contracting States engage to open their Mints to the free and unlimited coinage of gold and silver, all adopting the same ratio between the weight of the gold monetary unit and the weight of the silver monetary unit.

What should that ratio be ? It should be $15\frac{1}{2}$. And we are now taking up the pen again, solely for the purpose of showing that the ratio $15\frac{1}{2}$ is the only one which is practicable, which is just, and which directly or indirectly is advantageous for all parts of the world.

II.

MONETARY INVENTORY OF THE CONTINENT.

It was in 1785 that France became bi-metallic at 15½, and since then her ratio of weight between gold money and silver money has always been 15½; 15½ under the duodecimal system of livres, afterwards 15½ under the decimal system of francs instituted at the beginning of this century.

Prior to 1785 the French ratio was 15. Why was it abandoned in 1785 and 15½ adopted? To understand this it is necessary to read the King's declaration of the 30th October, 1785. There then existed no mono-metallists, and the bi-metallic principles now declared absurd by so many economists were then comprehended by the public as well as by statesmen.

The Declaration of 1785 is in these terms:

"The ratio of the gold marc to the silver marc" (the marc was the weight used in France and several European States for weighing gold and silver), "the ratio of the gold marc to the silver marc, still "unaltered in our kingdom" (the ratio 15), "no "longer agrees with that which has been succes- "sively adopted in other countries" (the ratio 15½), "so that a speculation arises of selling our gold "coins to the foreigner. The prejudice resulting "therefrom to various kinds of commerce by the "already sensible diminution of gold specie in our "kingdom has rendered it indispensable to ordain "the new coinage" (at 15½), "as the only means of "remedying the evil by removing the cause of it. "By this process the relation of our gold coins to "our silver coins is re-adjusted to the extent required "by that which prevails among other nations, the "interest in exporting them will disappear, the "temptation to melt them down will no longer be "excited by gain, our kingdom will no longer be "injured in the exchange of metals," &c., &c.

Such is the history of the French 15½. This figure had nothing cabalistic about it in 1785, and it has nothing cabalistic in 1881. France adopted it only because it had the advantage of harmonising French bi-metallic legislation with the bi-metallic legislation of other nations.

Belgium and Switzerland afterwards adopted the French bi-metallic franc at 15½. Italy, Spain, Greece, and Roumania have also adopted it, coining, under an analogous type, lire, pesetas, drachmas, leys; this makes altogether a European population of 88 millions with francs at 15½. Germany, which numbers about 43 millions of inhabitants, is itself provided with gold coin and silver coin precisely at 15½. By the force of things the 15½ appeared in the German Empire the very day when the demonetisation of the old silver and the establishment of gold mono-metallism were decreed. To effect that twofold process, gold had to be promised in exchange for the silver to be called-in. But in what ratio? The tariff of exchange had to be, and was, fixed at $15\frac{1}{2}$. For during nearly a century throughout the entire world one weight of gold had always been worth $15\frac{1}{2}$ weights of silver, and this, thanks to the preponderating influence of French bi-metallism, which had worked since 1785 at the ratio of $15\frac{1}{2}$.

Valued in gold at $15\frac{1}{2}$, the thaler is worth exactly three marks. It was therefore decreed that the exchange of thalers should be made on the footing of three gold marks, and it was ordained, as was natural, that until the complete calling-in the thaler should be legal tender at the rate of three gold marks.

But in calling-in the thalers for gold at the tariff of $15\frac{1}{2}$, and in then selling them as ingots at the falling and always uncertain prices which necessarily set in as soon as French bi-metallism, by the suspension of coining silver francs, ceased to operate, the German Government incurred heavy losses, and it perceived that to persist in getting rid of silver would be a ruinous folly. Sufficiently edified as to the value of mono-metallism, it maintained in circulation, as we have already stated, its thalers, which are at $15\frac{1}{2}$ in relation to gold marks. And this is how the $15\frac{1}{2}$ exists in fact in Germany, just as it exists in fact in France.

Holland had no gold as legal tender; but seeing that the coining of silver was about to be suspended all over Europe, and that that metal could no longer circulate between one State and another, she opened her Mint to the free coining of gold. But for this, Holland would have been monetarily isolated from all her neighbours. For reasons needless to state here, gold coins were assigned a weight which places them towards the old silver florins, which good care was taken not to demonetise, in a ratio which is not quite $15\frac{1}{2}$, but does not sensibly differ from it, the ratio 15·60.

Austria and Russia are under the paper-money system, but they have issued a good deal of silver and a good deal of gold. Both coins are at 15·45 in Austria and at 15·30 in Russia.

Except Scandinavia and Portugal, where silver is only small change, every State possesses both gold and silver coins at the ratio $15\frac{1}{2}$, or at ratios so near $15\frac{1}{2}$ as to be practically the same thing.

Total: several milliards in gold and several milliards in silver, all at $15\frac{1}{2}$. Such is the monetary material of the Continent of Europe.

Supposing now it were desired to substitute for this ratio $15\frac{1}{2}$ a ratio more favourable to gold, for instance 17, 18, or 19, what laws would have to be enacted to effect that change?

III.

NECESSITY OF THE $15\frac{1}{2}$ FOR THE CONTINENT.

THE silver 5-franc piece weighs 25 grammes. Four of these pieces (20 fr.) weigh 100 grammes, and this weight divided by $15\frac{1}{2}$ gives the weight of the gold 20-franc piece : 6·452 grammes. To say that this ratio $15\frac{1}{2}$ shall be altered is to say that one or the other, the silver 5-franc piece, or the gold 20-franc piece, shall undergo remodelling.

Let us suppose it decided in principle that the ratio 18 shall be substituted for the ratio $15\frac{1}{2}$, and let us first remodel the gold 20-franc piece, leaving untouched the silver 5-franc piece. This could be effected in two ways :

1st. By decreeing an increase in the legal value of the piece. It was worth 20 francs, let it be worth 23 fr. 22 c.

2nd. By decreeing a reduction in the weight of the piece. Let the present pieces be withdrawn from circulation, and 20-franc pieces be issued at the reduced weight of 5·555 grammes.

How fortunate the possessors of the 20-franc pieces! By a legal stroke these pieces are declared worth 23 francs 22 cents. They gain 16 per cent. How fortunate the possessors of the 20-franc pieces!

By a legal stroke the pieces weighing 6·452 grammes are excluded from circulation ; they will get them re-coined in new pieces weighing 5·555 grammes, still worth 20 francs. They will gain 16 per cent. They assuredly would not complain of this unexpected manna, of this golden shower they had never dreamed of ; but what will the holders of the silver 5-franc pieces say ? They will exclaim against the unfairness, the injustice, the caprice of the legislator, and they will be quite right.

The decree raising from 20 francs to 23 francs 22 cents. the legal value of the gold piece would occasion no expense to the State, whereas the creation of the new 20-franc piece of 5·555 grammes, involving the melting down of the old pieces excluded from circulation, would throw on the State the expense of re-coining ; but it would be such an extravagance to coin pieces on which people would read "Fr. 23.22," that the innovators themselves would prefer resorting to the re-coinage. They assuredly would not fail to invoke as a precedent the re-coinage of the louis d'or effected in 1785. We have ourselves commended what was done at that time. Why ? Because the object of the re-coinage was, by raising from 15 to 15½ the French ratio, to harmonise it with the ratio of other nations. Nothing of the sort now ; the new ratio advocated exists nowhere. For a century no bi-metallism has worked, either in Europe or elsewhere, except that of the 15½.

The re-coinage of 1785 left a profit to the holders of the old louis d'or, but that profit was slight, as slight as the alteration of 15 to 15½, whereas the profit awarded to the holders of 20-franc pieces would be enormous, as enormous as the alteration of 15½ to 18.

We began by remodelling the gold 20-franc piece, leaving untouched the silver 5-franc piece. We will now reverse the process, we will remodel the silver 5-franc piece, leaving untouched the gold 20-franc piece.

This again could be effected in two ways:

1st. By decreeing a reduction in the legal value of the piece. Let it no longer be worth 5 francs, let it be worth 4 francs 30 cents.

2nd. By decreeing an increase in the weight of the piece. It did weigh 25 grammes; let a new piece be coined weighing 29.

Whichever course is adopted the State would lose 14 per cent., and as there exist nearly three milliards in 5-franc pieces bearing the French stamp, the loss would amount to nearly 420 millions.

M. Michel Chevalier maintained that the Government, in excluding from circulation coin made by itself, has a right not to reimburse it. Let the French Government, he said, exclude from circulation all the 5-franc pieces, those possessing them will have to sell them as metal. Their losses will be heavy, but so much the worse for them. (*Revue des Deux Mondes* of the 1st April, 1876.)

It was the leader of the mono-metallists who talked in this fashion. Notwithstanding this the German Government, on undertaking the demonetisation of the silver pieces coined in Germany, declared that they should all be reimbursed in gold at the tariff of $15\frac{1}{2}$, and that it would itself undertake all the risks of the demonetisation.

France would not act with less equity. As soon as the present 5-franc piece was no longer legal tender, except for 4 fr. 30 c., the Government would invite all holders of them (there exist nearly 600 million pieces of French coinage) to come and receive 70 centimes on each piece. Loss to the State, nearly 420 millions, as we said.

But the ridiculousness of coining pieces of the legal value of 4 fr. 30 c. would deter the innovators. They would rather obtain the ratio 18 by issuing new 5-franc pieces weighing 29 grammes instead of 25. This operation would cause neither profit nor loss to the owners of the old pieces. The Government would invite them to come and exchange piecemeal their own crowns of 25 grammes for crowns of 29. The loss to the State would still amount to nearly 420 millions.

Let us quit France and repair to all the $15\frac{1}{2}$ countries—to Germany, Italy, Holland, Belgium, Spain, Austria, Russia. There, too, the ratio 18 could not be introduced without changing the value, either of the gold or the silver pieces, or without re-coining either the gold or the silver pieces. There, also, the innovators themselves would reject the first of these measures, they would adopt the second: re-coinage. The re-coinage of gold? Everywhere it would give the present pieces a higher value of 16 per cent., which would as by caprice enrich by so much those happening at the date of the operation to possess gold. The re-coinage of silver? Everywhere it would give the present pieces a lower value of 14 per cent., a reduction for which the Governments would be bound to indemnify all the holders of silver pieces; no variation, the same fatalities, as is seen, would befall the entire Continent of Europe if the 15½ was tampered with.

France and Germany are the two exclusively metallic-money great Powers of the Continent. If an agreement was not effected between these two powers, no bi-metallic treaty would be concluded. Now, would anyone venture to ask Germany to re-coin all the gold coins she has only just manufactured? Germany would refuse. Would anyone venture to ask France to re-coin her silver, that is to say, to abolish the 5-franc piece of the even weight of 25 grammes, the fundamental piece, that which connects her monetary system with her decimal system of weights and measures? Never would France consent.

Inevitable conclusion: either stagnation in the present situation, a situation which all the world declares detestable; or adoption of an international bi-metallic compact, without re-coinage either of gold or silver, that is to say, on the basis of the *uti possidetis*, at 15½.

Subversive, unjust, capricious, ruinous, impracticable, the operation consisting in getting rid of the $15\frac{1}{2}$ for the purpose of establishing another ratio will not be proposed by any of the States whose money is at $15\frac{1}{2}$.

Will it be proposed by the United States or by England?

IV.

NECESSITY OF THE $15\frac{1}{2}$ FOR THE UNITED STATES.

What happened in the United States while the European $15\frac{1}{2}$ was working for a hundred years without interruption and without change?

It was in 1793 that the United States, having become independent, coined their first gold and silver dollars. In what ratio? Instead of adopting the $15\frac{1}{2}$ accepted by France in 1785, for the purpose of conforming to the monetary laws of other nations, the United States took the ratio 15, the very one which France had just abandoned.

The ratio $15\frac{1}{2}$ confers on gold, as compared with silver, a legal value higher than that conferred on it by the ratio 15. The difference is about 3 per cent.; that difference is enough to make the gold of countries whose law is at 15 migrate to countries whose law is at $15\frac{1}{2}$. For this reason gold migrated from France prior to 1785, and for this reason gold migrated from the United States to Europe after 1793. Only silver remained for the Americans.

Face-about in 1834. In the course of that year Congress abolished the ratio 15, and adopted the ratio 16, by ordering the coinage of new dollars at a reduced weight. The heavy dollars had migrated, the light ones should not migrate. What happened? The European 15½ conferring on silver as compared with gold a higher value than that conferred on it by the American 16, all the silver migrated to Europe. Only gold remained for the Americans.

Stillborn had been the ratio 15 of 1793, stillborn was the ratio 16 of 1834. Notwithstanding their bi-metallic laws the United States were in fact silver-mono-metallic up to 1834 and gold-mono-metallic afterwards.

So matters stood in 1873. Not a silver dollar in the country. But the gold mono-metallism fancy was then so prevalent that the coining of silver dollars was prohibited, though nobody had ever got any coined for nearly forty years. The ratio 16, the stillborn ratio of 1834, was thus definitively buried.

But the mono-metallic enthusiasm did not last long. A reaction soon arose in favour of silver, a reaction so strong that the House of Representatives passed the Bill introduced by Mr. Bland, a Bill which made the coining of silver as free as that of gold, and that at the ratio of 1834—the ratio 16. The Senate objected to this measure. The Senate knew that the coining of silver had just been forbidden in Europe, and it was justly convinced that the adoption of a free monetary ratio would have the effect of drawing all the European silver into America and of driving out the gold. The United States would have a second time become silver mono-metallic. Yet, while rejecting the establishment of a monetary ratio between gold and silver, because its effect would have been to open the Mint to the unlimited coining of silver, the Senate, desirous of doing something for the partisans of silver, and of convincing Europe of the bi-metallist tendencies of the American people, amended the Bland Bill so that, unlimited mintage remaining forbidden, a considerable quantity of silver dollars were to be coined as a Government monopoly.

In voting the ratio 16 the House had fixed the weight of the silver dollar at 412½ grains. The Senate, while rejecting the legal ratio, did not object to the silver dollar thus weighing 16 gold dollars. When the mintage of a metal is not unlimited the weight of the piece made of that metal is quite immaterial, as immaterial as the size of the paper with which paper money is made.

The Bland Bill, as amended by the Senate, provided that the Government should monthly expend in purchases of silver at least two, and at most four million dollars. The silver thus purchased was to be converted into dollars. The House agreed to the senatorial amendments, and the Bland Bill became law in February, 1878.

The Government commenced purchasing silver in March, and continued uninterruptedly without ever expending more than the minimum: two millions a month.

The silver ingot which, in the time of the 15½, had, in Europe, as much right to mintage as gold, and consequently never lost its fixed value as compared with gold, the silver ingot, now that the $15\frac{1}{2}$ was under eclipse, was nothing but merchandise, and depreciated merchandise.

Consequently the metal monthly delivered to the Government for the sum of two millions, was enough to coin monthly a sum of two million three hundred thousand dollars, more or less, according to the fluctuating price of the metal. The total of the silver dollars thus coined is about 80 millions. This money is unlimited legal tender concurrently with the 560 millions of gold (specie and ingots) now possessed by the Americans.

Such is the monetary history of the United States.

Free and unlimited mintage has never been practised there simultaneously for both metals, consequently no ratio has ever been in operation. Who can imagine then that America will come and say to the two hundred millions of Europeans who have worked the $15\frac{1}{2}$ for a century, and all whose existing specie represents that ratio, who can imagine that America will come and say to them, "Give up your ratio, take the American ratio?" The American ratio! What is it? You have no ratio, you have never had any. And it was impossible you should have had from the moment that the $15\frac{1}{2}$ operated in the Old World. Either no ratio working in any country, which is the present case, or the universal domination of one sole ratio, whatever the ratios inscribed in the laws of different countries. The European $15\frac{1}{2}$ dominated in that way from 1785 to 1873. The $15\frac{1}{2}$ ratio never allowed any other ratio to live in any country.

What does Europe wish the United States to do? Something which costs nothing, something very simple and of very easy execution—to exclude from circulation the $412\frac{1}{2}$-grain dollars; to issue, without limit of amount, a new dollar weighing only $15\frac{1}{2}$ gold dollars, or 400 grains; in other words, to leave untouched the 460 millions of gold, and to transform into $82\frac{1}{2}$ millions the 80 millions of silver dollars coined by virtue of the Bland Bill. That transformation would be effected by the owners of the dollars, who would get them re-coined into 400-grain dollars. They would gain by this 3 cents per dollar. This is an inconvenience, but a bearable inconvenience, for it affects a comparatively unimportant sum; an inconvenience the more bearable inasmuch as the Treasury itself holds about two-thirds of the dollars to be re-coined, and as two-thirds of the profit accruing from the re-coinage would consequently devolve on the Treasury itself. The profit accruing to individuals would not amount even to a million; it is insignificant.

The ratio $15\frac{1}{2}$ is the only one which suits at the same time France and Germany. If the $15\frac{1}{2}$ is deviated from, an agreement between the European Governments is impossible. The United States form a single nation; it is as easy for them to choose the ratio $15\frac{1}{2}$ as any other.

To alter the $15\frac{1}{2}$ Europe would be forced to melt down milliards of gold or milliards of silver. A colossal operation! To carry out the $15\frac{1}{2}$ the Americans would only have to re-coin the Bland Bill dollars.

If Europe re-coins her milliards of gold, she considerably increases the circulating monetary units: francs, thalers, florins, &c.—a general rise in prices. If she re-coins her milliards of silver, the reverse effect, therefore a general fall in prices. The re-coining of the Bland Bill dollars adds only a small amount of dollars to the actual circulation. Prices do not feel it.

By re-coining her millions of silver into heavier pieces, Europe would undergo great losses; by re-coining her $412\frac{1}{2}$-grain dollars into 400-grain dollars, the United States would make a profit.

What is the great interest of the United States? The fate of their mines. Well, that fate is in their own hands—gloomy, if they refuse the $15\frac{1}{2}$; brilliant, if they accept it.

By refusing the $15\frac{1}{2}$ the Americans would be the cause of no bi-metallic treaty being signed. And then? Then Europe will persist in not coining silver. No monetary outlet, therefore, for American silver in the Old World. Could that silver be used as money at home without crossing the Atlantic? This would require the allowing of unlimited coinage of silver dollars. It would be madness. The Senate did not agree to it in 1878. It will never agree to it as long as the coining of silver is not simultaneously resumed in Europe.

Will two millions monthly be still expended in buying silver to make into dollars without real value and which as money are unexportable? It would not take long to be glutted with a bad money which would drive out gold, gold which alone is good money as long as silver is not rehabilitated.

There is an idea of increasing the weight of the silver dollar, and it is apparently believed that that increase of weight might improve the value of the metal. A fallacy! As long as bi-metallism does not work, as long as Europe does not coin silver, the dollars, still inconvertible into European money, will still be sold by weight like any merchandise. Just as the pound of sugar would not fetch a better price by the weight of the sugar loaf being increased, so the ounce of silver would not fetch a better price by the weight of the dollar being increased. The experiment of this increase would speedily be repented, and the great resolution, the inevitable resolution, will at last be taken, that which Europe has had to take—abandonment of limited mintage after having previously abandoned unlimited mintage.

The Treasury will then cease buying, and the entire silver from the mines will have to be sent by San Francisco or London to Asia. There silver is still unlimited legal tender. But what will the ounce of silver be worth in European or American money, that is to say, in gold? It will fall tremendously. What will then be the profits of the United States mines?

Let us now turn to the bright side of the picture. The United States accept the $15\frac{1}{2}$, and sign the bi-metallic treaty with Europe. At once the monetary value of gold and silver is guaranteed by the concert of nations. Whatever the productiveness of money mines, 400 grains of silver or 25·8 grains of gold will alike be a dollar in every hand, in every safe, in every country.

Nothing else is wanted for American interests to be fully satisfied.

V.

NECESSITY OF THE $15\frac{1}{2}$ FOR ENGLAND.

Numerous have been the currency laws passed since 1870 in Europe and America. They are all hostile to silver, and this is what has led to the abolition of bi-metallism. But if it is true that by dint of hostile laws bi-metallism at $15\frac{1}{2}$ has been abolished, it is equally true that during its lifetime, from 1785 to 1873, it defied all competition.

Vainly did the United States attempt to establish the ratio 15 in 1793 and 16 in 1834. Vainly did Holland attempt, in 1816, to establish the ratio 15·86. Vainly did England attempt, in 1864, to introduce the ratio 14·60 in India. Two ratios, we repeat, cannot work simultaneously on the face of the globe. The American 15 of 1793 and the Indian 14·60 of 1864 had to resolve themselves into silver mono-metallism. The Dutch 15·86 of 1816 and the American 16 of 1834 had to resolve themselves into gold mono-metallism. In the entire universe the relative value of gold and silver was $15\frac{1}{2}$ as long as the French $15\frac{1}{2}$ was in operation.

But if this was the case, the rate of exchange between all the countries of the world must—whatever the laws, gold mono-metallic here, silver mono-metallic there—have oscillated round a fixed and permanent monetary par? Yes, certainly. The Indian rupee (silver) was at a fixed par with the pound sterling (gold). This par was 1s. $10\frac{5}{8}$d. per rupee, because the pure silver contained in a rupee weighs exactly $15\frac{1}{2}$ times as much as the pure gold contained in 1s. $10\frac{5}{8}$d. This bi-metallic par was as fixed and permanent as the mono-metallic par which exists between the pound sterling and gold dollars, marks, and francs.

The rate of exchange oscillates round par in one direction or another according as the drafts of one country on another are few or many. The par between the dollar and the pound sterling is 4·846, because there is as much pure gold in 4·846 dollars as in a pound sterling, and yet the rate of exchange is usually some cents above or below the 4·846. The par between the English sovereign and the Australian sovereign is 1 to 1, namely identity, and yet at Melbourne people give £102 sterling for £100 sterling on London, while in London with £100 they obtain £102 on Melbourne. Everybody knows that the rate of exchange should effect a saving as compared with the cost of freight and recoinage, which would have to be incurred if the creditor country was paid by sending it metal. It follows that the rate of exchange can oscillate round the monetary par only within a very limited range, exactly known beforehand. Thus only did the rate of the rupee oscillate till 1873 round the par of 1s. $10\frac{5}{8}$d.

The pure metal contained in an ounce of silver weighs $15\frac{1}{2}$ times as much as the pure metal contained in $60\frac{13}{16}$d. gold. This was the par between gold and silver which Paris bi-metallism imposed on London. That par was nothing else than the par of the rupee at 1s. $10\frac{5}{8}$d. Yes ; but silver, not being coinable in England, could itself serve only as a metallic remittance, destined for countries having silver money. Now it costs more to send metal to be coined than bills to be cashed in coined metal. Hence the rate of silver was subject at London to oscillations slightly less favourable than the oscillations in the rate of exchange. Inversely, bills on India being sometimes scarce in the London market, India had to be paid by sending it metal—not gold, (that metal not being legal tender in India), but silver. This silver could not be drawn from the English currency, which is gold mono-metallic ; and if no packet bringing silver was in sight, the great bi-metallic reservoir, France, had to be resorted to. In that case the English sent gold to Paris to be exchanged for silver on the footing of $15\frac{1}{2}$, of $15\frac{1}{2}$ plus a slight bonus claimed by the bi-metallist Frenchman from the mono-metallist Englishman, for the service rendered. This would cause a slight rise, abnormal as it were, in the price of the ounce of silver. But London was subject at other times to a glut of silver ingots, and if the exchange on India were unfavourable, there might be an inducement to send silver to Paris to get gold, which could be placed out at interest in England, whereas silver, not being coinable, would yield no interest. The Englishman then paid a slight bonus on gold; he gave the Frenchman rather more than $15\frac{1}{2}$ of silver to procure 1 of gold, and the rate of Indian exchange was quoted at London a fraction lower. But these cases were extremely rare, and due solely to the inferiority of mono-metallism as compared with bimetallism. Had England been herself bi-metallic, she would never have had to pay any bonus over the par at $15\frac{1}{2}$.

The English were so accustomed to the two pars of $60\frac{13}{16}$d. for the ounce of silver and 1s. $10\frac{5}{8}$d. for the rupee, that they regarded them as natural and normal. They forgot that no par of value naturally exists between any two substances—no more between gold and silver than between copper and lead—and they did not perceive that these pars were the effect of a written law, the French law at $15\frac{1}{2}$. So little conscious were they of it that even now a number of English writers entirely ignore it.

The Anglo-Indian exchange was almost always favourable to India rather than to England, so much so that, without coming in contradiction with facts, books could be kept in rupees reckoned at 2s. or in pounds sterling reckoned at 10 rupees.

For manifold reasons, needless to enumerate here, the Indian Treasury has every year to pay at London £17,000,000 sterling. The Treasury must procure this sum from the rupees accruing from taxation. For this purpose it sells every week at London bills on Bombay, Calcutta, and Madras.

At the time of the par dictated by the $15\frac{1}{2}$, bills from London on India for 170 millions of rupees sufficed to procure the 17 millions of pounds sterling. Now that the par has disappeared (because French bi-metallism has itself disappeared) who can say how many rupees are required to obtain these 17 millions ? For six years the rupee has seen many rates, but all very low. At this moment it is 15 or 16 per cent. below the old par of 1s. $10\frac{5}{8}$d., and has it not been as low as 24 per cent.? The fall has itself no fixity.

Instead of expending 170 millions of rupees a-year to procure the £17,000,000 sterling, the Indian Treasury has had to expend on the average 195 millions, or 25 millions extra. This makes in six years a capital of 150 millions of rupees irrecoverably lost. Loans are issued in order to raise fewer taxes and sell fewer bills. The loans relieve the exchequer for the time, but they more and more aggravate the state of the finances. The interest annually to be paid for gold loans issued in London will have the effect of increasing what is called the Indian Tribute, that is to say, the sum of £17,000,000 above mentioned, and which it costs so much to obtain since the fall in rates of exchange induced by the disappearance of the French $15\frac{1}{2}$.

The City papers complain of the Indian Office. They allege that it does not know how to sell its bills on India to advantage. A strange complaint! What becomes, then, of the law of supply and demand? The India Office is always supplying; it does not depend on it to create the demand.

No artifice will avail. To prevent the fall in exchange and to get rid of all the fall which is causing so much suffering, the old par must be recovered: 1s. 10⅝d., per rupee, and it can be recovered only by putting again into operation bi-metallism at 15½. The Indian Treasury will then no longer expend but 170 millions of rupees to obtain the £17,000,000 sterling. The Budget will then no longer include that terrible item: loss on exchange, 25 millions. (Loss on exchange is a phrase which means loss produced by the disappearance of the old French par at 15½. What a confession!)

The Indian Treasury is not the only sufferer. Question the manufacturers and merchants of the United Kingdom. They manufacture, they buy, they export, but what will the rupee be worth in English money at the time they sell? They do not know. The risk they incur on the value of the money to be received is intolerable. Commerce becomes a game of chance.

Mankind possessed a universal and permanent bi-metallic par of exchange which made gold and silver a single money. The mono-metallists have changed all this. Nations are now reduced to the semi-barbarous state of having between them neither one metal which is common money nor one par of exchange which amalgamates gold and silver into a single money.

Let England open her eyes, and she will see that Damocles' sword is suspended over her, suspended by a thread which may snap at any moment. It depends on the Bland Bill. If the Bland Bill is repealed—if its operation is merely suspended—two millions of ounces of silver become every month disposable in the United States; worse than disposable, they will necessarily be exported from America instead of their being converted, as at present, into unexportable dollars.

Do not be lured by the hope that, failing a good market, the extraction of silver will be abandoned. No; gold and silver issue together from American mines. Production is bi-metallic, and the gold found suffices almost alone to cover the expense of mining. Silver will be sold cheaper, but the production will not be stopped.

Do not trust, either, to the theory of supply and demand, and say that Asia, saturated with silver, will lose her power of absorption and refuse the new silver. No; silver is unlimited legal tender in Asia, like gold in Europe. When, after 1850, the annual production of gold tripled and quadrupled, did that metal stand waiting anywhere? Did not those floods of Californian and Australian gold enter of full right into circulation heedless of the law of supply and demand, which had nothing to do with the matter, and without waiting for the permission of economists? Whoever possesses any quantity of the metal which is declared money by law, does not offer or sell it; sell it for what? for money? But is not the metal itself money? The owner of the metal goes therefore straight to the Mint, and the Mint is never shut up; it coins incessantly: *Eterno duro.* The mines issue gold money and silver money; if Europe and the United States are forced without intermission to absorb all the gold money, Asia is equally forced without intermission to absorb all the silver money.

The sales of silver effected by the German Government are not forgotten. They made the price of silver fall very low, silver whose fixed value at $15\frac{1}{2}$ was no longer guaranteed by the operation of bi-metallism. But these sales have ceased. The monthly sales of two millions of ounces, sales which will take place as soon as the Bland Bill stops working, will never cease. What will then be the rate of the Indian exchange?

The situation, bad enough now, will become terrible; and when it is considered that the whole evil would be removed if England, at last recognising what French bi-metallism did for her, offered her hand to other nations for the purpose of instituting international bi-metallism, can it be supposed that the English will persist in their mono-metallism?

The promulgation of the bi-metallic law would produce no visible effect on the monetary circulation of England. The bars of silver would be taken to the Bank of England, which would immediately give bank notes, just as it now does when bars of gold are taken to it. The Bank would keep the ingots; very rarely would it send them to the Mint to be coined. The silver ingots would be exported to pay what might be owed in all parts of the world. Neither by land nor sea are freights dearer for sums in silver than for sums in gold. And the former have the advantage of weighing $15\frac{1}{2}$ times as much and of being thirty times as bulky as the latter.—A twofold safeguard against their being lost or stolen. Not a gold sovereign would leave England unless the Bank had no more silver ingots in its vaults.

Bi-metallism is necessary for England; and the ratio $15\frac{1}{2}$ being a necessity for the Continent, it is necessary for England to adopt it also. The English, moreover, have no motive for preferring any other ratio.

VI.

EQUITY OF THE RATIO $15\frac{1}{2}$.

Money is instituted by law. *Nomos:* law. *Nomisma:* money.

Good or bad, all law is essentially arbitrary. Gold mono-metallic law is as arbitrary as silver mono-metallic law or as bi-metallic law. Arbitrary the choice of the metal, if the legislator is mono-metallic. Arbitrary the choice of the ratio between gold and silver, if the legislator is bi-metallic.

In principle, all ratios are equally good; the ratio at 10, the ratio at 15, the ratio at 20, would each work with the same efficacy and the same regularity, were any one of them adopted by great States furnished with ample supplies of metallic money. Why, then, prefer the ratio $15\frac{1}{2}$?

All law is arbitrary, but the legislator should enact as good laws as possible. Here the best law is that which will fix the ratio at $15\frac{1}{2}$. Why? Because that ratio, as matters now stand, is the only practicable one, as we have demonstrated, and because it is the only equitable one, as will presently be seen.

Silver has of late been bought cheap, say the opponents of the $15\frac{1}{2}$, and it would not be right, they add, that speculators who have procured silver at the ratio 18 and 19, should realize a profit of 15 and 20 per cent. by obtaining the restoration of the ratio $15\frac{1}{2}$.

Where, then, are these silver ingots accumulated by speculation? The bar of silver is a metallic remittance which cannot be kept locked up, for it devours the interest. As soon, therefore, as the bars reach Europe from America they are speedily forwarded to Asia, where they are money: rupees in India, taels in China. So with the new piastres which arrive from Mexico; Europe sends them without delay to Canton, to Shanghai, to Yokohama, where they mingle with the old piastres in circulation. In short there are neither ingots nor piastres in the banks or with private individuals, either at London or at Paris.

Yet there exists much very old uncoined silver: silver plate. Apart from workmanship, how much has this plate cost its owners? 200 francs per kilo, 9-10ths fine, to the French, and (owing to the everywhere prevailing par at $15\frac{1}{2}$) $60\frac{13}{16}$d. per ounce, 37-40ths fine, to the English. If the $15\frac{1}{2}$ is not reverted to, if a ratio 15, 18, 20 per cent. less favourable is established, the value of all this plate would be correspondingly diminished. Plate has been purchased because, while renouncing interest on the capital expended, there was a certainty as soon as desired of recovering the capital intact. There was nothing to do but to get the spoons, forks, &c., coined, and the price the material had cost was regained. English, Germans, Americans, French, all trusted to the law of the $15\frac{1}{2}$, everywhere obeyed. Would it not be cruel, by the adoption of a ratio less favourable than the $15\frac{1}{2}$, to subtract one-sixth or one-fifth from the capital laid aside by innumerable families in the form of plate?

Enormous is the mass of coined silver circulating in Europe: 5-franc pieces, thalers, Dutch and Austrian florins, roubles, pesetas. They are the milliards which have issued from the mines at the rate of $15\frac{1}{2}$ since 1785, at 15 previously, which have always circulated, and which—a capital point—still circulate at this rate of $15\frac{1}{2}$. For it cannot be denied, four 5-franc pieces have never ceased being current for 20-francs like the gold piece, and the thaler is still current at its par of $15\frac{1}{2}$, three gold marks. Yet behold economists suddenly say: "Melt down all this silver, it is not worth $15\frac{1}{2}$, it is worth only an eighteenth or twentieth of its weight in gold; let heavier pieces be coined." Germany, who, through listening to you, has already lost more than 100 million marks, is to continue listening to you for the purpose of undergoing fresh losses? And France, who has withstood everything, and has been able to keep up the par between the gold francs and the silver francs, France, on the very day of the resurrection of bi-metallism, is to annihilate, without profit to anybody, 15, 20 or any other percentage of her silver money? It would be worse than a blunder, it would be a crime.

And the milliards of silver which are circulating in boundless Asia? Did they not mostly leave Europe at the rate of 15½ as compared with gold, and prior to 1785 at rates still more favourable to silver? Yet because the mono-metallic derangement has for some years abolished the par of exchange between Asia and Europe, the ravages caused by that abolition are to be sanctioned, and sanctioned for ever! Reparation is due to those two hundred million Hindoos whom the disappearance of the 15½ has cost so many calamities: higher price of all European articles, increase of taxation, loan upon loan. Reparation is due to them, for after all it was England who in 1835, without consulting her, subjected India to the silver mono-metallic system; it was Europe who, in 1873, destroyed *motu proprio* that par at 15½ which made gold and silver a single monetary substance (*electrum*). It was England, it was Europe, who threw Indian monetary affairs into this deplorable state. India is the innocent victim. What has been taken from her must be restored: the old par of the rupee at 15½ with gold, or 1s. 10⅝d.; it must be restored to her intact and speedily. It will be but justice.

All that exists everywhere in the shape of securities in perpetuity, or having a good many years to run, public funds, shares and debentures of great companies, has been issued either before 1873 or since. Now all the securities prior to 1873 were issued on the faith of a permanent ratio between gold and silver, viz., the old ratio $15\frac{1}{2}$. States having only silver money issued loans, with interests and redemptions payable in gold pounds sterling. They took that engagement because they knew from long experience that with $15\frac{1}{2}$ weights of silver they could always procure one weight of gold. Moreover, all the securities stipulating silver—rupees in India, florins in Austria—were taken and paid for by the public either in silver or in gold at $15\frac{1}{2}$, with the certainty of the revenue to be received in silver being worth neither more nor less than if it were in gold. Just as in France, a bi-metallic country, contracts were made in francs without distinguishing between gold and silver; so outside France contracts were made here in gold, there in silver, because the law was gold-mono-metallic here, silver-mono-metallic there, but with the firm conviction that this came to the same thing. Is it not just, inasmuch as bi-metallism is re-adopted, to restore everything to its old position, and to render to each exactly and justly what is his due: *Suum cuique*, that is to say, the ratio $15\frac{1}{2}$, which was the monetary basis of all these issues?

As to securities created since the disappearance of the $15\frac{1}{2}$, neither issuers nor holders calculated on any par between gold and silver. Welcomed will assuredly be the return of the $15\frac{1}{2}$ by the holders of the few securities payable in silver issued since 1873. But this is no prejudice to the holders of securities payable in gold, whether of old or recent creation.

What ratio, then, do they want, those who reject the $15\frac{1}{2}$?

"The value of silver," they exclaim, "has diminished as compared with gold. It is not just, therefore, to revive the ratio $15\frac{1}{2}$; a ratio more favourable to gold must be decreed. The quotation of the day should determine the future ratio." But the quotation of what day ? Of a day in 1876, of a day in 1879, or 1881 ? The quotation has always been changing. A truce to sophisms! Do you want the international ratio to be dictated by the quotation of the day ? Well, take the quotation silver will have at London the day of the signing of the international treaty. The bi-metallists answer for it: it will be $15\frac{1}{2}$. Has not the announcement that Italy thought of resuming specie payments sufficed to do away with two-thirds of the *agio* of metal over paper money ? As soon as it is known that the concert of the Great Powers for the $15\frac{1}{2}$ is impending, silver will of itself recover at London the old quotation of $60\frac{13}{16}$d. per ounce, which is the old par, which is the old $15\frac{1}{2}$. Everybody, therefore, will be satisfied, even those subtle or simple people who want to convert into a legal and international ratio the quotation of the day.

7, AVENUE VELASQUEZ, PARIS,
1*st January*, 1881.

BY THE SAME AUTHOR.

OR ET ARGENT. Paris, 1874.

BI-METALLIC MONEY. London, 1875.

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